

7441

RECEIVED  
LEGISLATIVE AUDITOR  
2007 JUN 14 AM 9:52

***Financial Report***

***Advocates for Academic Excellence  
in Education, Inc.  
d/b/a  
Benjamin Franklin High Charter School***

***June 30, 2006***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-20-07

## **TABLE OF CONTENTS**

**Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School  
New Orleans, Louisiana**

June 30, 2006

**Page  
Number**

**Independent Auditor's Report**

1 - 2

**Exhibits**

A - Statement of Financial Position

3

B - Statement of Activities

4

C - Statement of Cash Flows

5

D - Notes to Financial Statements

6 - 14

**Special Report of Certified Public Accountants**

Report on Internal Control Over Financial  
Reporting and on Compliance and Other  
Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
Government Auditing Standards

15 - 16

Report on Compliance with Requirements  
Applicable to Each Major Program and on  
Internal Control Over Compliance in  
Accordance With OMB Circular A-133

17 - 19

**TABLE OF CONTENTS - Continued**

**Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School  
New Orleans, Louisiana**

June 30, 2006

**Page  
Number**

Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	20 - 21
Schedule of Findings and Questioned Costs	22- 25

**Reports By Management**

Management's Corrective Action Plan on Current Year Findings	26
--	----

**FINANCIAL SECTION**



Bourgeois Bennett

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors,  
Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School,  
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of Advocates for Academic Excellence in Education, Inc. d/b/a Benjamin Franklin High Charter School (the School), as of June 30, 2006, and the related statements of activities and cash flows for the period from October 25, 2005 (inception) through June 30, 2006. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates for Academic Excellence in Education, Inc. d/b/a Benjamin Franklin High Charter School as of June 30, 2006, and the changes in its net assets and its cash flows for the period from October 25, 2005 (inception) through June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report, dated February 1, 2007, on our consideration of Advocates for Academic Excellence in Education, Inc. d/b/a Benjamin Franklin High Charter School's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Advocates for Academic Excellence in Education, Inc. d/b/a Benjamin Franklin High Charter School taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
February 1, 2007.

**STATEMENT OF FINANCIAL POSITION**

**Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School  
New Orleans, Louisiana**

June 30, 2006

**ASSETS**

Cash	\$ 1,701,015
Grants receivable	839,424
Unconditional promises to give	267,663
Prepaid expenses	34,398
	<hr/>
Total assets	\$ 2,842,500

**LIABILITIES**

Accounts payable	\$ 91,369
Accrued expenses	44,140
	<hr/>
Total current liabilities	135,509

**NET ASSETS**

Unrestricted	2,684,829
Temporarily restricted	22,162
	<hr/>
Total net assets	2,706,991
	<hr/>
Total liabilities and net assets	\$ 2,842,500

See notes to financial statements.

**STATEMENT OF ACTIVITIES**

**Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School  
New Orleans, Louisiana**

For the period from October 25, 2005 (inception) through June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b>Revenues and Other Support</b>			
Contributions	\$ 1,663,240	\$ 22,162	\$ 1,685,402
Grants:			
Federal	1,672,576		1,672,576
State - Minimum Foundation Program	1,036,810		1,036,810
Local - Minimum Foundation Program	837,202		837,202
Other	15,000		15,000
Student activity fees	325,183		325,183
Other revenue	8,308		8,308
	<u>5,558,319</u>	<u>22,162</u>	<u>5,580,481</u>
<b>Expenses</b>			
Salaries	1,572,877		1,572,877
Student activities expense	365,237		365,237
Employee benefits	295,123		295,123
Supplies:			
School	171,361		171,361
Other - furniture and equipment	1,075		1,075
Professional services	161,613		161,613
Repairs and maintenance	133,880		133,880
Food services	73,649		73,649
Utilities	50,157		50,157
Payroll tax expense	29,766		29,766
Insurance	11,226		11,226
Other expenses	7,526		7,526
	<u>2,873,490</u>	<u>-</u>	<u>2,873,490</u>
Total expenses	<u>2,873,490</u>	<u>-</u>	<u>2,873,490</u>
Increase in net assets	<u>2,684,829</u>	<u>22,162</u>	<u>2,706,991</u>
<b>Net Assets</b>			
Beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
End of period	<u>\$ 2,684,829</u>	<u>\$ 22,162</u>	<u>\$ 2,706,991</u>

See notes to financial statements.



**STATEMENT OF CASH FLOWS**

**Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School  
New Orleans, Louisiana**

For the period from October 25, 2005 (inception) through June 30, 2006

**Cash Flows From Operating Activities**

Increase in net assets	\$ 2,706,991
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Increase in assets:	
Grants receivable	(839,424)
Unconditional promises to give	(267,663)
Prepaid expenses	(34,398)
Increase in liabilities:	
Accounts payable and accrued expenses	<u>135,509</u>
Net cash provided by operating activities	<u>1,701,015</u>

**Cash Flows From Financing Activities**

New borrowing on notes payable	250,000
Payments on notes payable	<u>(250,000)</u>
Net cash provided by financing activities	<u>-</u>

<b>Net Increase in Cash</b>	<b>1,701,015</b>
-----------------------------	------------------

**Cash**

Beginning of period	<u>-</u>
End of period	<u><u>\$ 1,701,015</u></u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School  
New Orleans, Louisiana**

June 30, 2006

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Organization**

Advocates for Academic Excellence in Education, Inc. d/b/a Benjamin Franklin High Charter School (the School), incorporated on October 25, 2005, is an educational institution organized to improve student learning, increase learning opportunities for all students, encourage the use of innovative teaching methods, be more thoroughly accountable for education results, and create new professional opportunities for teachers and other school employees.

The Orleans Parish School Board (OPSB) approved the granting of a charter to the School effective January 1, 2006 for a period ending on December 31, 2011, to operate a Type 3 Charter School, as defined in LA R.S.17:3973(3)(b).

**b. Basis of Accounting**

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States on the accrual basis of accounting. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

**c. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d. Cash and Cash Equivalents**

Cash, which is held in interest bearing accounts, consists of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the School's bank accounts from donations received from individuals or entities who specified specific use of the contribution.

The School classifies as cash and cash equivalents all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. The School did not have any cash equivalents at June 30, 2006.

**e. Grants Receivable**

The grants receivable are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

**f. Promises To Give**

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

All promises to give are recognized as assets and revenues. Management believes that all unconditional promises to give are collectable.

**g. Property, Equipment, and Depreciation**

Additions to physical plant and facilities are capitalized in accordance with the Louisiana Accounting and Uniform Governmental Handbook, which requires the School to capitalize equipment purchases with a cost greater than \$1,000. Depreciation is provided utilizing the straight-line method over estimated useful lives of the asset. For the period from October 25, 2005 (inception) through June 30, 2006, all purchases of furniture and equipment were for items whose cost was less than \$1,000 and were expensed.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h. Compensated Absences**

All teachers and staff are provided 10 days of paid annual sick leave. If the employee continues employment, any unused days remaining at June 30<sup>th</sup> of each year are reported to Teacher Retirement Services of Louisiana to be accumulated into the employees total days worked for retirement purposes. If the employee terminates at June 30<sup>th</sup>, the remaining days are forfeited.

**i. Contributions and Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when the School has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the School, or when earned under the terms of the grant.

**j. In-Kind Support**

The School records the in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support was \$277,985 for the period from October 25, 2005 (inception) through June 30, 2006 which included donations of consulting services, musical instruments, books, school supplies, computers, furniture, backpacks, and other items.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k. Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the School has classified its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes therein are classified and reported as follows:

**Unrestricted Net Assets** - Support, revenues, and expenses for the general operation of the School.

**Temporarily Restricted Net Assets** - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

**Permanently Restricted Net Assets** - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by the School. Generally, the donors of these assets permit the School to use all or part of the income derived from the investment of these contributions.

**l. Tax Matters**

The School has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to Federal income tax unless the School has unrelated trade or business income.

**Note 2 - CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

The School maintains cash balances at several local financial institutions. At June 30, 2006, cash deposits in excess of Federal Deposit Insurance Corporation limits were \$1,645,231.

**Note 3 - RESTRICTIONS ON ASSETS**

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the School. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

Temporarily restricted net assets at June 30, 2006 are available for the following purposes:

Athletics	\$ 2,500
Club Sponsors	5,740
Library	<u>13,922</u>
Total temporarily restricted assets	<u>\$ 22,162</u>

The School does not have permanently restricted net assets as of June 30, 2006.

**Note 4 - RETIREMENT PLAN**

Substantially all employees of the School participate in the Teacher's Retirement System of Louisiana (TRSL). This system is a cost sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The plan provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL issues publicly available financial reports that include financial statements and required supplementary information of the TRSL. That report may be obtained by writing the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123

Participants vest immediately in employee contributions to the plan. Retirement benefits vest after five years of service if the employee reaches age sixty; otherwise, benefits vest after twenty years of service. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

Participants are required to contribute to the plan 8% of their annual covered payroll and the School is required to contribute 15.9% of the annual covered payroll of each participating employee. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the period from October 25, 2005 (inception) through June 30, 2006, the School contributions to this plan totaled \$232,206.

**Note 5 - GRANTS**

The United States Department of Education awarded a grant totaling \$1,078,000 to fund the operating costs to eligible charter schools serving displaced students in hurricane impacted areas. The School must use the award for salaries, employee benefits and other purchased services. For the period from October 25, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$1,078,000.

The United States Department of Education awarded a grant to Orleans Parish School Board, which was awarded to the school as a subrecipient, to assist school administrators and personnel in restarting school operations, reopening schools and reenrolling students. The grant funds must be used for recovery of information, financial operations, replacement of instructional materials, redevelopment of instructional plans, and initiating and maintaining education and support services. For the period from October 25, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$455,440.

The United States Department of Agriculture awarded a grant under the National School Lunch Program to Orleans Parish School Board, which was awarded to the school as a subrecipient. For the period from October 25, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$68,700.

The United States Department of Education awarded a grant to Orleans Parish School Board, which was awarded to the school as a subrecipient, to assist meeting the costs of providing special education and related services to children with disabilities. The grant funds must be used to provide special education and related services to eligible children. For the period from October 25, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$34,855.

The United States Department of Education awarded a grant to Orleans Parish School Board, which was awarded to the school as a subrecipient, to provide a disciplined environment conducive to learning, by preventing violence in and around the school and strengthen programs that prevent the illegal use of alcohol, tobacco and drugs, and involve parents. The funds must be used to convey a clear and consistent message that illegal use of alcohol and other drugs is wrong and harmful. For the period from October 25, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$18,331.

**Note 5 - GRANTS (Continued)**

The United States Department of Education awarded a grant to Orleans Parish School Board, which was awarded to the school as a subrecipient, to help ensure that all children meet challenging State academic standards. The funds must be used to provide additional academic support and learning opportunities to help low-achieving children master challenging curricula and meet state standards in core academic subjects. For the period from October 25, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$9,672.

The United States Department of Education awarded a grant to Orleans Parish School Board, which was awarded to the school as a subrecipient, to assist in the reform of elementary and secondary education. The funds must be used to support education reform efforts, implement promising educational reform programs and school improvement programs which rely on scientifically based research, provide a continuing source of innovation and educational improvement including support programs, that provide library services and instructional and media materials, meet the educational needs of all students, including at-risk youths, and develop and implement education programs to improve school, student and teacher performance, including professional development activities, and class-site reduction programs. For the period from October 25, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$7,578.

The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled during the school year. This state-funded per pupil allocation is based on the most recently approved minimum foundation program formula resolution. For the period from October 25, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$1,036,810.

The Orleans Parish School Board (OPSB) provides funding which is determined on an annual basis based on the number of pupils enrolled during the school year. Revenues received by OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. For the period October 25, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$837,202.

**Note 6 - SCHOOL OPERATIONS/LEASEHOLD INTEREST**

Effective January 1, 2006, the School entered into an agreement with the Orleans Parish School Board (OPSB), which allows the School to use the facilities and its contents located at 2001 Leon C. Simon Boulevard or any other locations as may be approved by the School and OPSB. The agreement expires on December 31, 2011. The agreement may be renewed at the option of the OPSB.



**Note 6 - SCHOOL OPERATIONS/LEASEHOLD INTEREST (Continued)**

The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations and rules. If capital improvements are made by the School with non-public funds to any site which it operates, and the charter contract is revoked or terminated, the School will be reimbursed for the fair market value of such capital improvements. Assets purchased with public funds or obtained from public sources will automatically revert to the OPSB at the time this agreement is terminated. The School must maintain records of any assets acquired with private funds that will remain the property of the School.

Use of the property is not recorded as an in-kind contribution from the OPSB and related rent expense. The value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

**Note 7 - FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses have been reported on the statement of activities by natural classification. To present expenses by functional classifications, expenses are charged to program services and supporting services (management and general expense) based on management's estimate of periodic time and expense evaluations. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Total expenses for the period from October 25, 2005 (inception) through June 30, 2006 are allocated as follows:

Program Services	\$ 2,793,316
Supporting Services:	
Management and general	<u>80,174</u>
Total expenses	<u>\$ 2,873,490</u>

**Note 8 - RISK MANAGEMENT**

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage for the period from October 25, 2005 (inception) through June 30, 2006.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**



Bourgeois Bennett

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,  
Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School,  
New Orleans, Louisiana.

We have audited the financial statements of Advocates for Academic Excellence in Education, Inc. d/b/a Benjamin Franklin High Charter School (the School), as of June 30, 2006 and for the period from October 25, 2005 (inception) through June 30, 2006, and have issued our report thereon, dated February 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error of fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Trustees management, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
February 1, 2007.



Bourgeois Bennett

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors,  
Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School,  
New Orleans, Louisiana.

**Compliance**

We have audited the compliance of Advocates for Academic Excellence in Education, Inc. d/b/a Benjamin Franklin High Charter School (the School), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the period from October 25, 2005 (inception) through June 30, 2006. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to of its major federal program for the period from October 25, 2005 (inception) through June 30, 2006.

### **Internal Control Over Compliance**

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants

New Orleans, Louisiana,  
February 1, 2007.

## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School  
New Orleans, Louisiana**

For the period from October 25, 2005 (inception) through June 30, 2006

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>United States Department of Agriculture:</b>		
<u>Pass-Through Program From:</u>		
<u>Louisiana Department of Education</u>		
<u>Orleans Parish School Board</u>		
Food and Nutrition Services:		
National School Lunch Program	10.555	<u>\$ 68,700</u>
<b>United States Department of Education:</b>		
<u>Pass-Through Program From:</u>		
<u>Louisiana Department of Education</u>		
Public Charter Schools Federal Grant Program:		
Public Charter School Program	84.282A	1,078,000
<u>Louisiana Department of Education</u>		
<u>Orleans Parish School Board</u>		
Elementary and Secondary Education Hurricane Relief - Immediate Aid to Restart School Operations	84.938A	455,440
Special Education Grants to States (Individuals With Disabilities Education Act - IDEA-B)	84.027	34,855
Title IV - Safe and Drug Free Schools and Communities State Grants	84.186A	18,331
Title I - Grants to Local Educational Agencies	84.010A	9,672
Title V - State Grants for Innovative Programs	84.298A	<u>7,578</u>
Total United States Department of Education		<u>1,603,876</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,672,576</u></u>

See notes to schedule of expenditures of federal awards.



## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School  
New Orleans, Louisiana**

For the period from October 25, 2005 (inception) through June 30, 2006

### **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Advocates for Academic Excellence in Education, Inc. d/b/a Benjamin Franklin High Charter School and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the School has met the cost reimbursement of funding qualifications for the respective grants. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, the amount presented in the schedule may differ from the amount presented in, or used in the preparation of, the financial statements.

#### **b. Accrued Reimbursement**

Various reimbursement procedures are used for federal awards received by the School. Consequently, timing differences between expenditures and program reimbursements exist at the end of the year.

#### **c. Payments to Subrecipients**

There were no payments to subrecipients for the period from October 25, 2005 (inception) through June 30, 2006.

**Note 2 - DESCRIPTION OF GRANTS**

**The United States Department of Agriculture - Food and Nutrition Services - National School Lunch Program - Passed through the Louisiana Department of Education and through Orleans Parish School Board**

The Louisiana Department of Education awarded the Orleans Parish School Board the reimbursement grant as a School Food Authority. Orleans Parish School Board extended the grant to the School to be reimbursed for the total meals provided. During the period from October 25, 2005 (inception) through June 30, 2006, the school recognized revenue under this grant of \$68,700.

**The United States Department of Education - Public Charter School Federal Grant Program - Public Charter School Program - Passed through the Louisiana Department of Education**

The Louisiana Department of Education awarded a grant totaling \$1,078,000 to support the planning, development and initial implementation of the Charter School. The grant award must be for expenses incurred during the period of February 1, 2006 through July 31, 2006, and reimbursements for expenses incurred must be submitted to the Louisiana Department of Education for processing. During for the period from October 25, 2005 (inception) through June 30, 2006, the School recognized revenue under this grant of \$1,078,000. No additional funds are available under this grant at June 30, 2006.

**The United States Department of Education - Elementary and Secondary Education Hurricane Relief - Immediate Aid to Restart School Operations - Passed through the Louisiana Department of Education to the Orleans Parish School Board**

The Louisiana Department of Education awarded the Orleans Parish School Board the reimbursement grant as the Local Education Agency. Orleans Parish School Board extended the grant to the School to be reimbursed for expenses incurred to restart school operations. During the period from October 25, 2005 through June 30, 2006, the school recognized revenue under this grant of \$ 455,440.

**Note 2 - DESCRIPTION OF GRANTS (Continued)**

**The United States Department of Education - Special Education Grants to States - Passed through the Louisiana Department of Education to the Orleans Parish School Board**

The Louisiana Department of Education awarded the Orleans Parish School Board the reimbursement grant as the Local Education Agency. Orleans Parish School Board extended the grant to the school to be reimbursed for expenses incurred to provide special education and related services needed to eligible children. During the period from October 25, 2005 (inception) through June 30, 2006 the School recognized revenue under this grant of \$34,855.

**The United States Department of Education - Title IV - Safe and Drug Free Schools and Communities State Grants - Passed through the Louisiana Department of Education to the Orleans Parish School Board**

The Louisiana Department of Education awarded the Orleans Parish School Board the reimbursement grant as the Local Education Agency. Orleans Parish School Board extended the grant to the school to be reimbursed for expenses incurred to convey a clear and consistent message that the illegal use of alcohol, tobacco and drugs are harmful. For the period from October 25, 2005 (inception) through June 30, 2006 the School recognized revenue under this grant of \$18,331.

**The United States Department of Education - Title I Grants to Local Educational Agencies - Passed through the Louisiana Department of Education to the Orleans Parish School Board**

The Louisiana Department of Education awarded the Orleans Parish School Board the reimbursement grant as the Local Education Agency. Orleans Parish School Board extended the grant to the school to be reimbursed for expenses incurred to provide academic support and learning opportunities to help low-achieving children master challenging curriculum and meet state standards in core academic subjects. For the period from October 25, 2005 (inception) through June 30, 2006 the School recognized revenue under this grant of \$9,672.

**Note 2 - DESCRIPTION OF GRANTS (Continued)**

**The United States Department of Education - State Grants for Innovative Programs-  
Passed through the Louisiana Department of Education to the Orleans Parish School  
Board**

The Louisiana Department of Education awarded the Orleans Parish School Board the reimbursement grant as the Local Education Agency. Orleans Parish School Board extended the grant to the school to be reimbursed for expenses incurred to support local education reform efforts and to develop and implement education programs to improve school, student and teacher performance. For the period from October 25, 2005 (inception) through June 30, 2006 the School recognized revenue under this grant of \$7,578.

**Note 3 - FINDINGS OF NONCOMPLIANCE**

No federal award findings or questioned costs were reported during the audit of the financial statements for the period October 25, 2005 (inception) through June 30, 2006.

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Advocates for Academic Excellence in Education, Inc.  
d/b/a Benjamin Franklin High Charter School  
New Orleans, Louisiana**

For the period from October 25, 2005 (inception) through June 30, 2006

### **Section I - Summary of Auditor's Report**

#### **a) Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?      ☐ yes    ☒ no
- Reportable condition(s) identified that are  
not considered to be material weakness?      ☐ yes    ☒ none

Noncompliance material to financial statements noted?      ☐ yes    ☒ no

#### **b) Federal Awards**

Internal control over major program:

- Material weakness(es) identified?      ☐ yes    ☒ no
- Reportable condition(s) identified that are  
not considered to be material weakness?      ☐ yes    ☒ no

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required  
to be reported in accordance with section  
510(a) of Circular A-133      ☐ yes    ☒ no

**Section I - Summary of Auditor's Report (Continued)**

## c) Identification of Major Program:

CFDA NumberName of Federal Program

84.282A

U.S. Department of Education - Public  
Charter Schools Federal Grant  
Program - Public Charter School  
Program

84.938A

U.S. Department of Education -  
Elementary and Secondary Education  
Hurricane Relief - Immediate Aid to  
Restart School OperationsDollar threshold used to distinguish  
between Type A and Type B programs:\$300,000

Auditee qualified as a low-risk auditee?

   yes   X   no**Section II - Financial Statement Findings****Compliance and Other Matters**No compliance findings were noted during the audit for the period from October 25, 2005  
(inception) through June 30, 2006.**Section III - Federal Award Findings and Questioned Costs**No federal award findings or questioned costs were reported during the audit for the period  
from October 25, 2005 (inception) through June 30, 2006.

**REPORTS BY MANAGEMENT**

**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**ON CURRENT YEAR FINDINGS**

**Advocates for Academic Excellence in Education, Inc.**  
**d/b/a Benjamin Franklin High Charter School**  
New Orleans, Louisiana

For the period from October 25, 2005 (inception) through June 30, 2006

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements**

**Internal Control Over Financial Reporting**

No material weaknesses were noted during the audit of the financial statements for the period from October 25, 2005 (inception) through June 30, 2006.

No reportable conditions were reported during the audit of the financial statements for the period from October 25, 2005 (inception) through June 30, 2006.

**Compliance and Other Matters**

No compliance findings material to the financial statements were reported during the audit for the period from October 25, 2005 (inception) through June 30, 2006.

**Section II - Internal Control And Compliance Material to Federal Awards**

No findings or questioned costs were reported during the audit of the financial statements for the period from October 25, 2005 (inception) through June 30, 2006

**Section III - Management Letter**

A management letter was not issued in connection with the audit for the period from October 25, 2005 (inception) through June 30, 2006.